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A HOCKEY EQUIPMENT OUTLET: AN ANALYSIS OF  
THE NEED FOR, DEVELOPMENT OF, AND  
OPERATION OF A SMALL BUSINESS

By

Susan J. Schafer

B.S., College of Great Falls, 1981

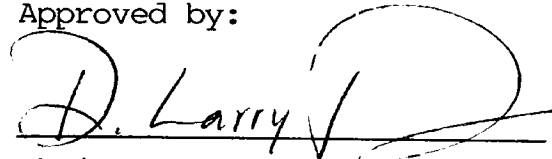
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Requirements for the Degree of

Master of Business Administration

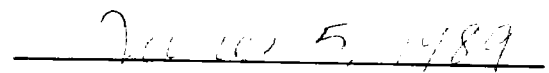
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This paper is dedicated to my favorite hockey players, and sons, Jason and Darrin. Their patience, understanding, and support during the many hours and months associated with this paper made its completion possible.

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CHAPTER I  
INTRODUCTION

Purpose for the Study

The purpose of this study is to provide the Great Falls Youth Hockey Association (GFYHA) with information they may use if they pursue their plans of opening and operating a hockey pro shop in Great Falls, Montana.

The primary objectives of this study are to: (1) identify whether or not a specific market exists to support a hockey pro shop, (2) if the market exists, then determine what equipment will be required and what specialized needs there may be, and (3) identify procedures to be taken in starting a small business venture -- including limitations and problem areas which the Association may encounter.

Currently Great Falls has no hockey pro shop. A hockey equipment outlet in Great Falls will make it possible to reduce traveling expenses such as lodging, meals, and fuel. This paper assesses whether there is an interest in a hockey retail shop and the feasibility of operating one in the Great Falls area.

Limitations of Research and Definition  
of Approach Used

One assumption of the research is that the hockey program in Great Falls will continue uninterrupted. At this time there is much controversy over the fate of the current ice rink in the Four Seasons Arena. The possibility exists that ice hockey will be interrupted if the Four Seasons' structure is changed and a new rink constructed. If this happens, a hockey shop will not be necessary for the time being.

Research is also limited to the availability of equipment and supplies through retail businesses in Great Falls. Sampling of the present hockey families in the GFYHA was accomplished by means of a detailed questionnaire directed at determining the specific market for a hockey shop, what inventory will be required, and what parents would like to see available for purchase. Personal interviews of coaches and adult hockey players were conducted to further substantiate what is desirable in the line of hockey equipment and supplies and to determine what specialized needs this group may have.

Retail stores in Great Falls were visited and surveyed to determine what is currently available to the hockey players. The survey should help the GFYHA further recognize what equipment and supplies are needed in the local area.

Information was requested from hockey equipment distributors and sporting goods distributors. This was necessary in order to determine availability of equipment at reasonable prices for limited quantities. Ordering procedures, necessary inventory levels, pricing strategies, and store operation procedures are addressed in the study.

## CHAPTER II

### OVERVIEW OF HOCKEY

#### Hockey Program in Great Falls, Montana

Ice hockey is a sport played by two teams on an ice covered rink. Each team consists of six players, one of which is the goaltender. The players skate along the ice at a fast speed slamming a hard rubber disk called a puck across the ice with a long wooden stick. Points are scored when the puck is hit into the opposing team's goal or net.<sup>1</sup>

Hockey began in Canada in the mid-1800's and by 1900 became their national sport. Hockey has become popular in many other countries, including the United States. Countries have professional teams as well as amateur players in communities, high schools, and colleges.

Locally, hockey began at the adult level in the late 1940's with the Great Falls Hornets, sponsored by the local VFW. Players from Canada were hired to help make up the team. It was financed by the VFW and supported by gambling. After gambling was outlawed here, there

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<sup>1</sup>World Book Encyclopedia, 1980 ed., s.v. "Hockey," by Gordie Howe.

was a period of time before hockey became popular again.

In 1951 or 1952 an adult hockey team known as the Great Falls Americans were formed. They were sponsored by private individuals and played against Canadian and United States teams. This team was active until the early 1960's, when hockey again went through a stagnant period for about five years.

In the late 1960's the Great Falls Hawks were formed and sponsored by Hawk Electric. They played as a team until mid 1970.

After 1979, a young adult team called the Great Falls Flames was started. In 1980-1981 the Silver Foxes formed as a team. This team included players in the over-thirty age bracket. By 1987, the Silver Foxes had become too large for one team and split into two groups -- the Great Falls Selects, which included players in their early thirties, and the Silver Foxes with players over thirty-five.

Great Falls Youth Hockey began in the early 1950's with the Junior Americans. In the early 1960's, local Optimist clubs began sponsoring local teams that played against each other with an occasional visit from an out-of-town team. During this period, individuals formed All-Star teams to travel out of town to increase the players' skills through more and better competition. It was during this time that the Great Falls Youth Hockey Association (GFYHA)

was formed. The local Optimist clubs were involved then, and continue to be a vital supporter and sponsor of Youth Hockey in Great Falls. The youth hockey program has experienced alternating periods of stagnation and start-up since its beginnings. The number of youths ages five to seventeen in the program has varied year to year.

Great Falls teams have played hockey against teams from Billings and Butte, Montana, and with Southern Alberta, Canada teams. In 1987, Great Falls became a member of the Westwind Southern Alberta Hockey League. Acceptance into this league resulted in increased games and ice time for each of the six age divisions in the hockey program. Participation greatly increased as a result of this. Enrollment has increased significantly from ninety-two skaters in the 1986-87 season to 142 in 1987-88 and, finally, to 175 in the 1988-89 season. Growth is expected to continue as the league involvement results in more playing time for skaters and better involvement in the hockey program.

#### Hockey Facilities

The hockey facility currently used by the GFYHA and adult hockey teams is the Four Seasons Arena located on the fairgrounds between 3rd Street Northwest and Northwest Bypass, in northwest Great Falls. The Four Seasons Arena is a multipurpose structure. It houses two ice



rinks, one of which is a standard size hockey rink measuring 200 feet (61 meters) by 85 feet (26 meters). The second rink is used by the Great Falls Figure Skating Club and for public skating sessions. It is smaller than the regulation hockey rink which precludes its use for hockey league games. There is no seating around this rink for spectators use.

The hockey rink in the Four Seasons Arena is complete with players' benches and penalty boxes. Side boards of forty to forty-eight inches high topped with plexiglass surround the rink. Four player locker rooms with showers are available for use by teams. The Arena also has a snack bar area which is operational during scheduled games and tournaments. Seating capacity is 5,248 with half that amount used when the hockey rink is in place.

The Four Seasons Arena is used for the annual rodeo in January as well as for various concerts and cultural activities throughout the year. Basketball tournaments and other sporting activities are held there on the portable sports floor which replaces the ice rink.

#### Limitations of Hockey Program

There are limitations which may affect the growth of the hockey program in Great Falls. Hockey is an expensive sport. Annual registration fees range from \$75 to \$200, depending on the age division. This fee covers

ice time used by the player for practices and games during the season. Additional expenses include equipment needed by the player and lodging, meals, and fuel when traveling in Montana or Canada for league games. Of the twelve league games played annually, six are played in Canadian cities. Each division may also participate in several tournaments or playoffs in Canada or other Montana cities.

Time expended by players and their families is another limiting factor. Beginning early October through late March, one-hour practices are conducted two evenings each week with an occasional Saturday practice. Games are played on Friday evening, Saturday, and possibly Sunday morning, at least three weekends each month beginning mid-November through mid-March. If the games are being played in Canada, two nights of lodging out of town may be required.

### Specialized Needs of Hockey Players

Hockey is the only major sport requiring the use of an artificial arm (hockey stick) and artificial feet (skates) while being played on an artificial surface (ice).<sup>2</sup>

Today's hockey player is able to purchase lightweight equipment that offers him protection, safety, and comfort. Outfitting a hockey player is expensive. Costs

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<sup>2</sup>Fischler, Stan and Shirley, Everybody's Hockey Book (New York: Charles Scribner's Sons, 1983), 203.

of equipping a forward or defenseman from the helmet on his head down to the skates on his feet ranges, on the average, from \$600 to \$1,100. Goaltender equipment is even more expensive ranging from \$700 to \$1,500.

There are currently more than thirteen manufacturers of sticks, more than eight of skates, and several of general equipment which includes pads, helmets, masks, uniforms, and incidentals. The most important factor to consider when purchasing hockey equipment is that the item fit the player correctly and that it is comfortable while offering maximum protection and safety.

A fully geared hockey player requires many items of wear.<sup>3</sup> His head is protected with a full helmet which has a hard outer shell that gives protection from blows. It has a special padded lining to absorb and distribute shocks and is held in place by a chin strap. The helmet is adjustable enabling the player to wear it several seasons before replacing it. It must fit properly and the player must feel comfortable in it. A face protector is attached to the front of the helmet. This protector is available in many styles including the metal cage or clear plastic visor. The cage is important in preventing face and mouth injuries to the player. A protective chin pad fits in the mask. It is strapped in place at the

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<sup>3</sup>Ibid., 169-189.

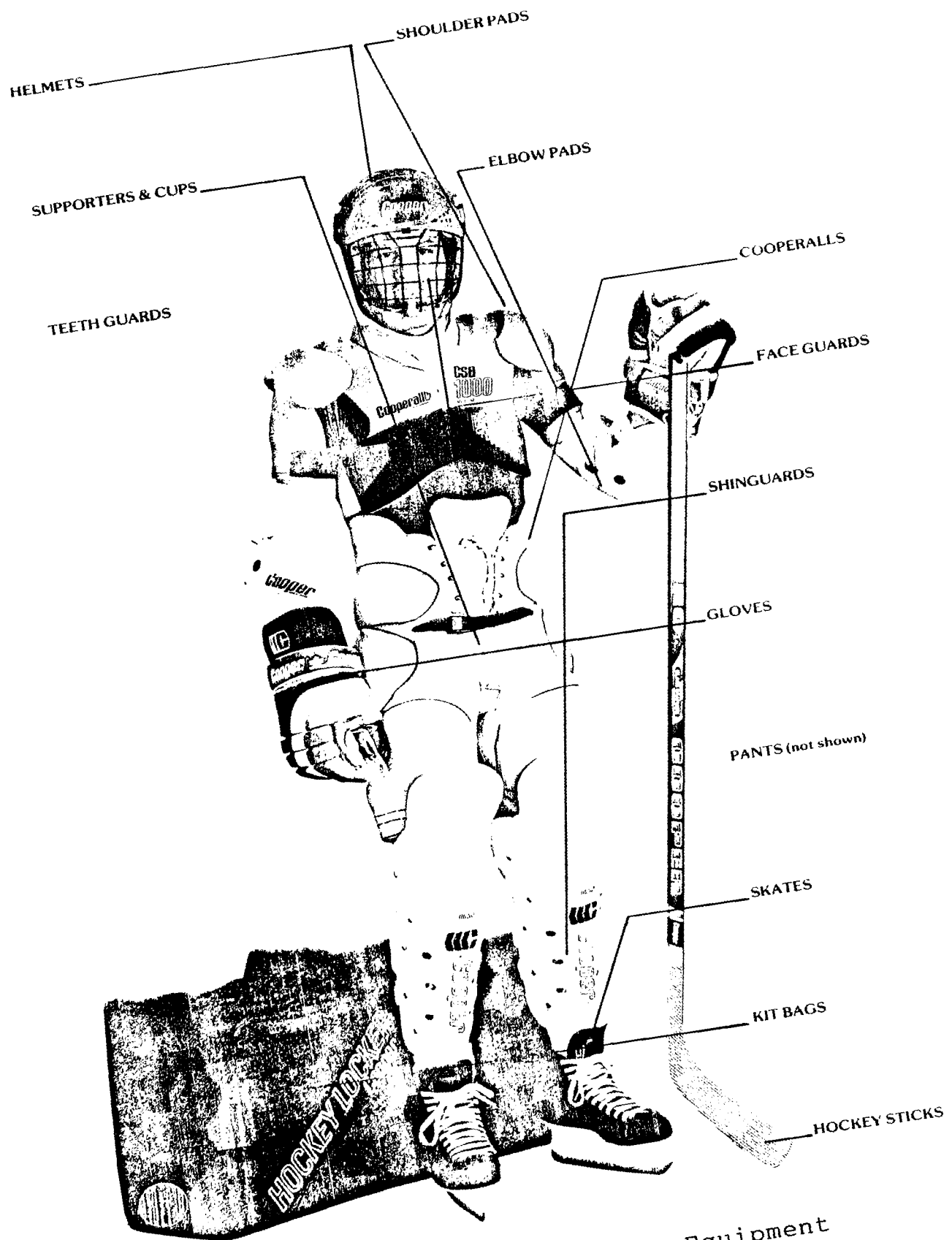


Fig. 1. Forward/Defenseman Equipment

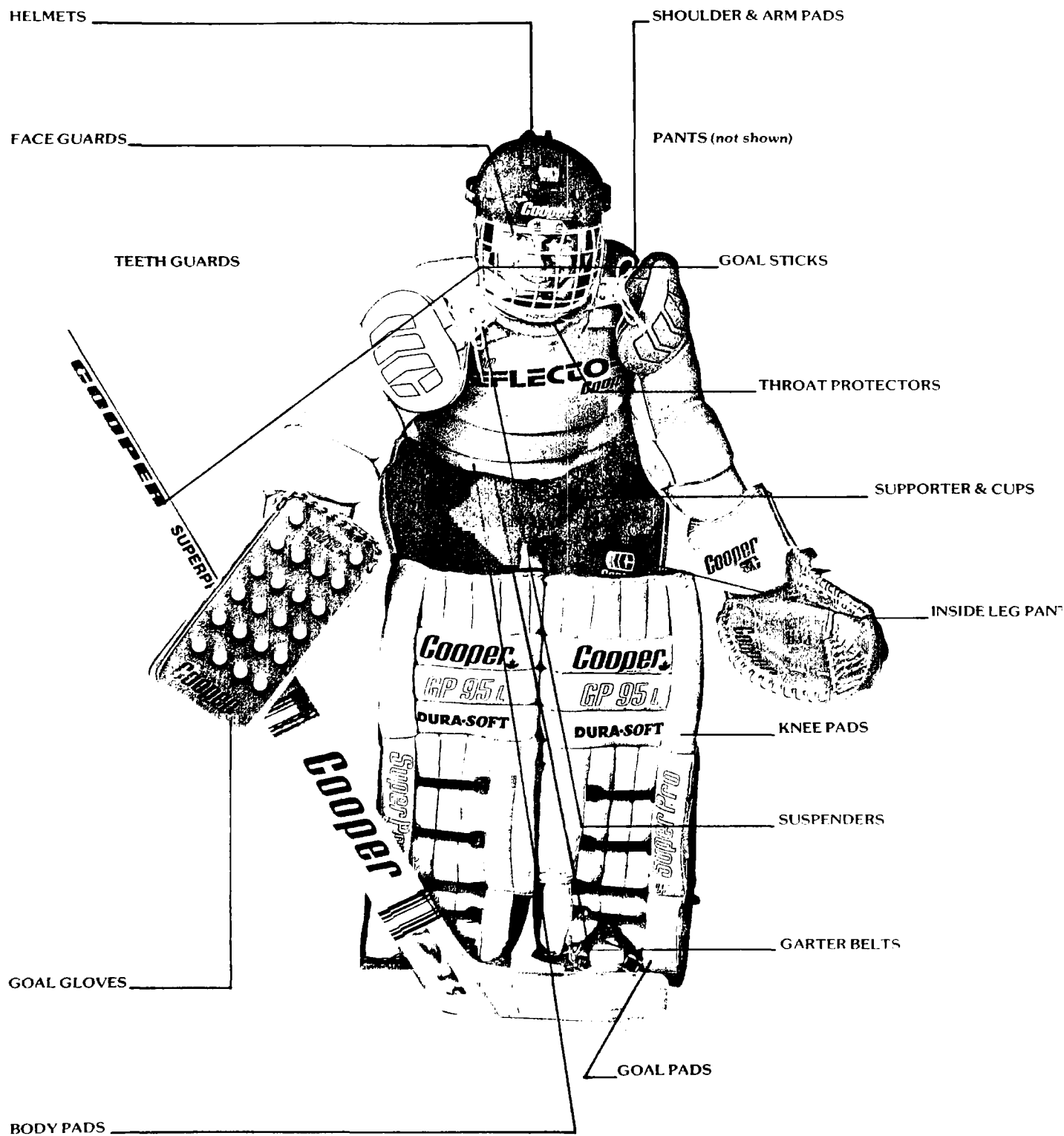


Fig. 2. Goaltender Equipment

sides of the helmet.

Players may choose from several styles of neck protection. These include a formed plastic and padded piece which fits around the neck and is held in place by a Velcro closure. Another form of neck protection worn by goaltenders attaches to the bottom of the face protector. It is free moving and hangs down to protect the throat and upper chest areas. A third style has both a throat protection and upper chest protection feature. Throat protectors are important in preventing injuries to the larynx and throat areas.

A mouth guard is another piece of equipment which is required wear in youth hockey play. It is a piece of plastic worn in the mouth. It covers the upper teeth and prevents the player from biting his tongue. It offers some protection if a blow were to be received to the mouth. The mouth guard may be specially made by a dentist.

The player's body is well protected with several pieces of equipment. Forwards and defensemen wear shoulder pads which protect the upper arm and chest. They can be short, covering only the upper chest, or they can extend to nearly waist level. They have free-moving shoulder and upper arm protectors. All are held in place by elastic straps. Goalie chest protectors offer much more protection. They are padded heavily and cover the entire upper body. There is extra thickness on the chest and shoulders to

protect against hits by flying pucks.

Elbow pads are a very necessary item for wear. They should fit so as to meet the bottom of the shoulder pad and top of the glove. This gives full arm protection. The elbow pad has a protective pad around the elbow joint and elastic and Velcro adjustable straps.

Gloves come in many styles and materials. Available to the skater are either all-leather gloves or a nylon-with-leather-palm glove. (This is worn by the majority of hockey players because it is light weight and washable.) Padding of the gloves helps protect the back of the hand, thumb, and fingers. They have a cuff which extends above the wrist. Gloves need to fit properly so the player can "feel" the stick.

Goalie gloves are very different from those worn by the other skaters. The glove worn on the stick hand is called a blocker. It has a wide, sturdy protective back which offers more blocking capability. The other glove is similar to a first baseman's mitt. It is used to catch the puck. These also extend above the wrist.

Hockey pants are worn which are Bermuda short length. Made of a heavy-duty nylon with thick padding underneath around the thighs and kidneys, they also have a shield which protects the tailbone area. They may be one piece construction with the pads sewn into the pants, or may be only the nylon shell which is worn over a padded girdle.

The pants are held up in place by wide suspenders.

Under the pants the player wears a garter belt and long sport hose which go from mid thigh to the skate with an elastic strap under the heel keeping them in place. An athletic supporter and cup are also required wear.

Shin guards are another very important piece of equipment. There are several styles and materials ranging from molded plastic to padded leather. The shin guard protects from the top of the ankle to over the knee. They are held in place by elastic straps and are worn under the sport hose. The guards are important in preventing injury to the knees from falls, and cuts to the shins from accidental hits with a hockey stick or skate blade.

Underwear usually chosen by players is an undershirt and long underwear. These help prevent skin irritation and provide some warmth.

Jerseys are worn by players for practice and for league play. Practice jerseys are long sleeved and are of open mesh polyester fabric. Game jerseys are usually of a polyester professional weight material with logos depicting the team, name and number of the player.

Skates are another item of equipment. Skates must always fit properly. For a growing youngster, one should not expect them to fit more than one season. Skates are of two basic types -- stitched (leather and nylon)



and molded (plastic). The plastic boot may give the skater a little better support. It wears well and retains its shape. Skates can have a variety of blade types. Blades are usually of stainless steel and vary in size and shape depending on whether they are for a forward/defenseman's skate or a goaltender's skate.

The final item a hockey player needs is a stick. Today sticks come in a selection of colors, weights, and "lies" (angles). They are manufactured in combinations of different materials. Sticks may be either right- or left-handed depending on which hand is held nearest the blade end of the shaft. The "lie" of the stick is the angle of the stick to the ice. Player preference dictates which lie he will choose.

Sticks are generally of wood, usually ash. Fiber-glass, plastic, and graphite are also used. The blade of the stick is taped to protect it from cracks and moisture. This also cushions the puck making it easier to control. Goalie sticks are wider than the regular sticks. They are generally straight with no curve.

These are the major items of equipment used by today's hockey players. There are also incidentals which are necessary for play. These include tape, pucks, straps, water bottles, repair items, and many other small items.

Equipment bags are needed to carry the hockey equipment. These come in a variety of shapes, sizes and quality

of fabric with zippered compartments to hold smaller items and skates. Bags can even be purchased for carrying sticks.

Equipment for hockey is expensive. It is necessary to purchase the equipment which will offer the greatest protection for the skater while allowing him the required mobility. There are several qualities of equipment to select from. The final choice is the consumer's. Table 1 shows costs for equipment worn by hockey players.

#### Availability of Equipment

Great Falls is lacking in the availability of hockey equipment and supplies for its youth. The majority of retailers in Great Falls carry very limited inventories of equipment. Retailers visited and surveyed were Coast to Coast, K-Mart, Target, Shopko, Scheels Sports, Universal Athletics Service, and The Skate Stop. The purpose of the survey was to determine what equipment was available this past season, when inventory was put on the shelves for sale, and whether special ordering was available.

Target carries only tape and mouth guards. Universal Athletics does have jerseys but no other items for hockey. Neither of these retailers plan to carry any other hockey items in the coming season. Coast to Coast offers skates, sticks, pucks, tape, shin guards, and elbow pads. An added service they provide is skate sharpening. This is an important service for skaters which cannot

TABLE 1  
HOCKEY EQUIPMENT PRICE LIST  
(Cooper International, Inc. 1989)  
(High and Low Ranges)

	<u>JUNIOR PLAYER</u>		<u>ADULT (13 &amp; Up)</u>	
	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
Helmets.....	\$ 53.00	\$ 75.50	\$ 53.00	\$ 75.50
Face Guards:				
Cage.....	22.00	23.50	22.00	23.50
Plastic.....	46.00	46.00	50.00	50.00
Helmet with Protector.....	73.00	115.00	73.00	115.00
Neck Protector.....	13.00	28.00	13.00	28.00
Shoulder Pads.....	20.00	65.50	29.00	145.00
Goalie Chest Protector....	170.00	250.00	178.00	390.00
Elbow Pads.....	8.50	42.00	13.00	53.00
Gloves.....	32.00	64.00	48.00	164.00
Blockers (Goalie).....	35.00	79.00	68.00	162.00
Catchers (Goalie).....	49.50	136.00	100.00	270.00
Pants:				
Goalie.....	53.50	53.50	71.00	227.00
One Piece with Pads.....	31.00	39.00	48.00	180.00
Nylon Shell.....	32.00	48.50	36.00	70.00
Girdle.....	73.50	103.00	103.00	180.00
Shin Guards.....	9.70	50.50	18.00	125.00
Goalie Pads.....	136.00	324.00	366.00	1180.00
Jerseys.....	20.20	34.50	22.30	38.70
Sticks:				
Forward/Defense.....	7.50	19.80	14.70	29.80
Goalie.....	20.00	29.80	33.00	47.10
Socks.....	12.70	12.70	15.00	15.00

readily be found in other locations around town. The Skate Stop offers sharpening as do private individuals of the Hockey Association, but their times of operation are not consistently regular.

Two retailers would not give information as to what was inventoried this past year, but personal visits to their establishments reveal their supplies to be limited. One retailer has only mouth guards, tape, pucks, and a limited assortment of sticks. The other retailer carries skates (smaller children's sizes), jerseys, sticks, elbow pads, a few helmets (smaller sizes), and miscellaneous small supply items.

K-Mart offers limited quantities of skates. Because of their limited shelf space, their skates are added to the store shelves as hunting season tapers off in late September or early October. Mouth guards and tape are available year around. The sporting goods manager stated helmets and sticks may be special ordered if other stores in their chain have the merchandise in stock.

Scheels Sports in Holiday Village Mall has the largest and best selection of equipment in Great Falls. Several members of the GFYHA have worked with Scheels' management over the past several years in bringing equipment to the youth in hockey. This past season, Scheels carried a full line of hockey equipment from helmets to skates. They will carry a larger inventory for the 1989-90 season.

Their inventory is placed on the shelves at the end of July, making it available in time for hockey camps held in August. Special ordering of equipment is also a service which Scheels offers.

### Competition

Hockey equipment and supplies are available in Great Falls but in limited quantities. The Association needs to take a look at what is offered and determine if it can be competitive in price and quality.

Competition for the GFYHA will come mainly from three retailers -- Scheels, The Skate Stop, and Coast to Coast. This past season Scheels had 26.9 percent of the sales made locally. Coast to Coast had 17.2 percent.<sup>4</sup> The Skate Stop will reopen this fall with a new shop in the Civic Center. It was not possible to ascertain just what types of hockey equipment would be sold at this location.

Another area of competition comes from the GFYHA Swap which is held at the beginning of each season. The Swap allows skaters to sell their used equipment and skates to others. This has always been a place for new skaters to obtain the majority of their equipment for the new season. Skaters also pass down used equipment to younger

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<sup>4</sup>Percentages are derived from survey results listed in Table 2, page 26.

brothers and sisters who enter the program. Most hockey equipment is built to withstand more than one season of play. When its serviceability is over, new equipment must be purchased somewhere.

The older skaters, who are more physical in the game, generally require, and prefer, better protection and quality in their equipment. For this reason they, in most cases, prefer new equipment which will last for more than one season, and will be specifically what they require. For these players, some lines of equipment may be found locally, but it may be necessary to special order other items. If the Youth Hockey Association could offer them special ordering services at competitive prices, there could be a viable market for the Association.

A final source of competition are the mail order companies such as Kemp's Hockey Supply Company in Latham, New York, and Great Skate out of Minnesota. Mail ordering has been a means of obtaining equipment without the expense of traveling to Canada to purchase the equipment. In the 1988-89 season, fifty-one of the survey respondents indicated they had special ordered.

Ordering from out-of-state locations does have its drawbacks. Time is an important factor. The delivery time can vary from three days to two weeks. The added costs of delivery can add extra expense to the price of the equipment.

Another problem with ordering is getting a proper fit. Sizes vary from brand to brand, and vary even with different items manufactured by one company. There have also been problems with individuals receiving the wrong equipment, i.e., not exactly what was ordered.

The Hockey Association may be able to special order through distributors and prevent some of the problems individuals have encountered with mail ordering. The Association can order its inventory from hockey equipment distributors in Washington and Minnesota.

CHAPTER III  
RESEARCH METHODOLOGY AND SURVEY RESULTS

Market Research and Findings

This chapter contains the results of the survey of the present hockey families. The primary purpose of the survey was to determine if a hockey pro shop is needed in Great Falls. Support from the present and future hockey population is vital to the success of a pro shop. If support is not given, sufficient revenues and profits may not be possible to attain.

The survey method selected to obtain the data was to survey present families in the hockey program by means of a mail questionnaire. A follow-up postcard, after two weeks, was to be sent if the response was less than fifty percent. No mail survey can be considered reliable unless it has a minimum of 50 percent response, or unless it demonstrates some form of verification that the nonrespondents are similar to the respondents.<sup>5</sup> The hockey survey and covering letter (see Appendices A and B) was mailed to all 132 families of the GFYHA. The Association

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<sup>5</sup>Dillman, Don A., Mail and Telephone Surveys: The Total Design Method (New York: John Wiley & Sons, 1978), 10.



has 175 skaters in the 1988-1989 season, with forty-three of the families having two or more skaters in the program. Only one survey was mailed to each of these families.

The surveys were accompanied by a cover letter and a self-addressed stamped envelope for convenience to be used in returning the survey. Eighty-four surveys were returned by mail and eleven results were obtained from follow-up telephone conversations. Total response was 72 percent.

The main purpose of this survey is to obtain a representative sample of the target population -- the hockey families. As a hockey pro shop will be used almost exclusively by hockey skaters, it is not necessary to mail the survey to individuals not involved in the hockey program.

Support of the shop will come from Youth Hockey skaters, coaches of hockey, and adult hockey players in the Great Falls area. Additional support and usage can be expected from visiting hockey players from Canadian provinces and from visiting teams of Butte, Montana, or Billings, Montana.

Interest in some hockey items and services has been verbally expressed by parents of visiting players. Certain services such as skate sharpening and availability of miscellaneous items such as tape, socks, sticks, or jerseys have been requested by visiting teams.

The survey consists of twelve questions, some with multiple parts. Of the ninety-five responses obtained, eighty-eight or 93 percent said they think a hockey shop is needed in Great Falls. Of the three who answered "No" to the question, one writes that he does not think Great Falls can support a shop.

One undecided individual states he would like the convenience of a shop in Great Falls while another writes "basically we got thru the season knowing anything we needed to purchase had to be purchased on a Canadian trip."

From individuals answering "Yes" to the question, many favorable remarks were included. Some of these are:

"This is a great program and we would happily support a shop operated by the GFYHA rather than a local community shop."

"We need a store bad!"

"I think that a local hockey shop is a great idea and well-needed in Great Falls. I think the prices should be kept low."

"I would much rather support the Association as long as prices are ok."

### Survey Structure

The survey is designed to answer particular questions which will enable the Association to determine what will be needed when opening a hockey pro shop. Of prime importance is whether there is a market for hockey equipment in the Great Falls area.

All except the first four questions of the survey may have more than one response. This results from the purpose of the questions.

The questions asked are ones which are important to the Association. In order to open a pro shop, the Association must know several things, including if there is an interest in the shop, how many people may use it each season, if there will be a market for more than one season, and what equipment needs exist. Results are summarized in Table 2.

### Survey Results

Question Number 1 is most important to this survey. Ninety-three percent of the respondents think a hockey shop is needed in Great Falls. Only three of the ninety-five respondents do not think a shop is needed. Several verbally commented they will support a shop operated by the Association.

Question Number 2 elicits the number of skaters involved with the returned questionnaires. One hundred thirty-two surveys were mailed which included families having two or more skaters. Of the returned surveys, fifty-seven are from single-skater families, twenty-seven with two players, and eleven with three or more players for a total of 144 skaters. Some individuals may not have answered the survey because they will not be involved

Table 2. -- Hockey Survey Results

		Number	Percentage
Question #1	Yes	88	92.6%
	No	3	3.2%
	Undecided	4	4.2%
Question #2 (Players)	1	57	60.0%
	2	27	28.4%
	3	9	9.5%
	3+	2	2.1%
Question #3 (Future player)	Yes	21	N/A
	No	74	N/A
Question #4	1	19	20.0%
	2	2	2.1%
	3	0	N/A
	3+	0	N/A
Question #5 (See Table 3)			
Question #6 (See note)			
<u>Great Falls:</u>			
	Scheel's	39	26.9%
	Target	2	1.4%
	Shopko	11	7.6%
	GFYHA Swap	38	26.2%
	Skate Stop	16	11.0%
	Coast to Coast	25	17.2%
	Universal Athletics	8	5.5
	Other	6	4.2%
<u>Canada:</u>			
	Players Bench	35	36.1%
	Canadian Tire	30	30.9%
	Sears	1	1.0%
	Bert & Mac's	21	21.7%
	Zeller's	2	2.1%
	Other	8	8.2%
<u>Mail order:</u>			
	Kemps	24	25.3%
	Great Skate	20	21.1%
	Other	7	7.4%
Question #7			
	Locally	81	84.4%
	Canadian	10	10.4%
	Mail order	5	5.2%
Question #8			
	During	73	68.9%
	Prior	33	31.1%
Question #9 (See note)			
	Sharpening	86	90.5%
	Repair	33	34.7%
	Special order	55	57.9%
	Other (See narrative)	6	6.3%
Question #10 (See Table 3)			

\*Respondents may have answered more than one question.  
Percentage is based on number of returned surveys.

in the program next season.<sup>6</sup> Many first-year skaters do not return for another season due to the expense or dislike of the program and skating. Senior players like the Midgets may leave because of school changes (move to college) or moving up to an adult team.

Responses to Question Number 3 reveal that there are twenty-one families who have younger children who may play hockey in the future. Question Number 4 shows that of the families with future skaters, nineteen have one child and two have two additional children for a total of twenty-three potential hockey players. This is only a 13 percent increase in skaters over the next several years. New skaters generally come from families not already involved in the hockey program -- families contacted through television spots, newspaper editorials of games, and flyers sent home with grade school children.

Question Number 5 addressed equipment supply and needs. The analysis is combined with Question Number 10 at the end of this section.

Question Number 6 has several purposes. One is to determine the primary competition the GFYHA will have when opening a shop. By knowing its main competition locally, the Association will be able to determine what the other retailers have to offer. Scheels, the GFYHA

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<sup>6</sup>Survey results are based on 132 mailed and 95 responses.

Swap, and Coast to Coast are its largest competitors now.

Canadian competition currently are Players Bench and Canadian Tire, both located in Lethbridge. The Association could use Players Bench as a model for its own pro shop. If prices are competitive, shopping in Great Falls will be more appealing for Association members and skaters than traveling for every equipment purchase.

Ordering is done mainly through Kemps and Great Skate. These companies regularly mail their catalogs to players entered in the Amateur Hockey Association of the United States. Both are reputable companies and carry the majority of equipment needed by youth and adult players.

Response to Question Number 7 overwhelmingly supports the local area for equipment purchase. Eighty-four percent indicated they prefer to purchase hockey equipment locally as opposed to through Canadian outlets or mail order. In one response an individual states he prefers Canadian outlets because their personnel are better trained in fitting the children for equipment. Locally, the Association could have a few of its members trained in equipment fitting in order to be of better service to its members.

Question Number 8 indicates that seventy-three (68.9 percent) of the respondents prefer purchasing equipment during the season. Equipment is normally put away for the summer months and not brought out until the beginning of the next playing season. At that time, players find

many items may not fit properly or are no longer serviceable. Individuals who purchase prior to the season are generally ones who attend a summer hockey school. Many of these schools take place in Canada or in an area where hockey is the predominant winter sport. Skaters purchase their equipment at these areas where selection is best. There are also some items which need replaced throughout the season such as sticks, tape, socks, or jerseys. These seldom last an entire season.

Other services desired make up the responses for Question Number 9. Percentages for responses here are based on the actual number of surveys returned. Ninety-one percent feel that skate sharpening is needed. At present, it is hard to keep skates sharp because of erratic hours of operation of those who do sharpen skates. A player ideally should have his skates sharpened at least once a week. A couple of respondents suggest a skate sharpening machine be placed at the rink. These are successfully used in rinks throughout Canada. Special ordering is requested by 57.9 percent of respondents and repair services by 34.7 percent.

Questions Number 5 and 10 are analyzed jointly. The purpose of these questions is to give the Association an approximate number of players for each division this next season and the specific requirements for the players of each division. These should be the minimum stock a

shop should carry. The sizes of the equipment needed can be determined by the age levels of the specific groups. Table 3 combines the results of Questions Number 5 and 10.

### Summary of Research

The survey results along with its large response rate reinforce the GFYHA's belief that there is a need for a hockey pro shop in Great Falls. Respondents consistently answered "Yes" to the question which asks if a pro shop were needed. They further reinforce this when expressing their requirements for equipment and their preference in shopping locally and supporting the Association.

Several respondents added remarks to the survey expressing appreciation for taking an interest in the plight of hockey players. Others also offer their services if the Association is able to operate a shop. This can all be interpreted as support for the shop. Members will work together to make the shop a success.

Question Number 11 indicates several of the hockey families being surveyed have adult family members who play regularly in an adult division. These skaters have equipment needs, also. Several adult skaters were personally contacted. The adult requirements for equipment are similar to the youths. Yearly needs include socks, jerseys, and sticks. Larger items of equipment are purchased



Table 3.-- Equipment Needs by Division

	Junior Novice	Novice	Atom	PeeWee	Bantam	Midget
Number surveyed	37	28	23	15	14	11
Equipment item:						
Skates	17	12	10	6	6	3
Helmet	23	16	5	3	5	1
Cage	23	14	6	4	5	3
Shoulder pads	19	13	10	7	4	3
Shin pads	19	10	7	5	3	2
Hockey pants	24	12	6	7	8	7
Goalie pants	0	1	1	0	0	0
Socks	25	15	17	10	10	10
Elbow pads	14	6	9	5	6	2
Left hand stick	17	17	5	12	30	17
Right hand stick	18	18	20	11	14	30
Goalie stick	3	0	2	1	1	0
Gloves	22	7	7	6	8	4
Jersey	23	14	11	5	5	7
Equipment bags	12	9	7	3	3	3
Other:						
Stick blade (R)	0	0	0	0	0	6
Neck guards	0	0	2	0	0	0

infrequently. The adult players prefer better quality equipment. However, they feel a hockey shop would benefit them also if they were able to special order equipment they need. The convenience of a local pro shop is appealing.

Question Number 12 asks for additional remarks. Several individuals offered to help the Association with the shop. One individual who operates a small specialty shop in Great Falls offers the following advice:

Factors that encourage local buying (i.e., success) are:

1. Sufficient inventory -- the customer is in your shop because he wants it today.
2. Pricing -- the customer has to feel like he got a "good deal."
3. Quality products -- in the long run #3 is the most important. Everbody eventually learns that the best quality is the cheapest in the long run.

## CHAPTER IV

### BUSINESS PLANS

#### Goals and Objectives of Business

Hockey players in Great Falls have been without a hockey pro shop for a number of years. It is the goal of the Great Falls Youth Hockey Association to be able to provide the players with a pro shop where they are able to purchase quality equipment at a reasonable and competitive price. The Association would like to see its members purchase their equipment in the local area. In a sense, the GFYHA will be providing a service to the hockey players and coaches.

Many players use substandard and ill-fitting equipment simply because they are unable to purchase equipment needed locally and do not prefer to order from hockey distributors across the United States. They must often wait until the first Canadian trip in December to purchase their equipment from retailers in that area.

#### Profit Aspect of Business

The Association would like to make a surplus on equipment sold. Markup for hockey equipment is generally 100 percent over the distributor price. This markup-cost

principle will be used to analyze the potential business surplus. The surplus generated by the business will be used by the Association to purchase ice time and pay for tournament fees. It will be dispersed equally among the divisions of players of the Association. By purchasing ice time with the surplus, the Association will help keep skater registration fees as low as possible.

#### Potential of Operation

The youth hockey program of Great Falls has experienced some growth over the past several years as a result of its involvement in the Westwind Hockey League of Canada. It is expected, within limits, especially those previously noted, that growth will continue if the Association remains a member of the Westwind League, and if it continues to use the Four Seasons Arena for its practices and games. Membership in the League guarantees each division at least twelve games per season. Other games may be played in tournaments in Canada, Montana cities, or other Northwestern states. As interest in hockey grows, so will the market for hockey equipment.

First-year hockey skaters have special needs which the Association could provide. These new skaters and families generally are unfamiliar with the required wear for a hockey player. The Association loans first-year players their basic equipment -- helmet with face protec-

tor, shoulder pads, hockey pants, gloves, and shin pads. The player still requires several other items to make his gear complete. He needs elbow pads, socks, garter belt, practice jersey, mouth guard, neck protector, skates, and a stick. The ideal place to purchase these is a pro shop which specializes in hockey equipment. By offering equipment at a competitive price, the Association may be able to assure themselves of a return sale next season when the player must purchase those pieces of equipment which were provided by the Association the first season.

The largest expense for a hockey family is the purchase of equipment for this second-year skater. After the initial purchase, equipment will need to be replaced as it is outgrown. In most cases, it is not purchased annually. However, some supplies such as mouth guards, tape, socks, and sticks need to be replaced frequently. The Association could stock a large inventory of these items for sale to their members. Skates, and sometimes larger items, may need to be replaced only every couple of years. Turnover of these items will not be as great as that of smaller items.

Adult players could also purchase equipment and supplies at a pro shop. Their purchasing habits are different from those of the younger, growing players. They still will be in the market for sticks, socks, and tape annually. They may require special ordering of equipment.

Great Falls hosts hockey teams from other parts of Montana and Canada several weekends during the playing season. If the Association operates its shop prior to and during the scheduled game times of these weekends, it may be able to sell some equipment to these players who may want to take advantage of the opportunity to purchase equipment at a competitive price or of the U.S. exchange rate of the dollar.

As the Association grows, so will the market for hockey equipment. The market potential is directly related to the success of the hockey program in Great Falls.

#### Store Location

Store location is important for a hockey pro shop. Since the store will specialize only in hockey equipment, its location should be readily accessible to all hockey players, both Great Falls teams and those visiting from other cities in Montana or in Canada. Ideally, a hockey pro shop should be located within the same area as the primary hockey rink. This gives players and their families an opportunity to shop for equipment before or after practices or games. A shop at the Four Seasons Arena would be convenient for the families to use.

It has been proposed to the Great Falls Fair Board that the GFYHA be given the job of scheduling ice time in the coming season, and that in exchange for this service

they be allowed to use the pro shop area now being used by the Skate Stop. It is possible that access could be given to other areas in the Four Seasons to use for storage or added shop space. It is not known what utility costs would be to the Association. The assumption is being made that there would be no added expenses except telephone charges.

Shop area at the Arena would be ideal. A high traffic location is perhaps even more important for a shoestring startup than having a well capitalized business because the shoestring operation must start at a profitable level and that only happens with a prime location.<sup>7</sup> The shop could be operated during the hockey season with hours corresponding to the schedules of all teams and divisions for practices and games. Expenses would be minimal if use of the pro shop area were given in return for the scheduling of ice time of the rink.

If the Fair Board disapproves the proposal, the Association may wish to consider leasing of the areas of the Four Seasons Arena that it requires. This would create additional operating expenses which would have to be taken into consideration when doing preliminary financial studies.

A third possibility exists. The Association could

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<sup>7</sup>Goldstein, Arnold S., Starting on a Shoestring. (New York: John Wiley & Sons, 1984), 140.

lease a small shop space at a mini-mall such as the West City Center located at Third Street Northwest and Division Road in Great Falls. This location is less than one mile from the Four Seasons Arena which makes it convenient for families involved in the hockey program as well as the hockey players and families from outside the Great Falls area. It is located near other retail stores including K-Mart, Shopko, Ernst Home Center, Buttrey, and Westgate Mall.

Renting such a shop area would mean considerably greater expenses. The smallest shop in West City Center is 1208 square feet. It is semi-complete with ceiling tiles, bathroom, heating, air conditioning and lights. Floor and wall coverings must be completed. The finishing work is the responsibility of the lessee. The shops are leased for no less than three years with first and last month's lease payment being paid in advance. The remaining rent is paid on a monthly schedule.

Operating expenses for this area are high. Rent is \$9.50 per square foot plus \$1.25 per square foot which covers common area usage, taxes, snow removal, and related expenses. Utilities are not included and are the responsibility of the lessee.

#### Structure of Operation

One individual will be hired to manage the pro shop.



This individual will be responsible for ordering the equipment, receiving orders and placing items out for sale, replenishing inventory as needed, special ordering, and bookkeeping associated with the inventory.

The GFYHA will propose a time-sharing method of operation for its shop. Parents of the hockey players will be asked to donate their time to operate the pro shop. Each division will be given a schedule of hours when they must provide someone to help in the shop.

When a child is registered for the Great Falls hockey program, his/her parents will be assessed an additional fee of \$35-40. This fee will not be paid immediately but will be accounted for as time worked in the pro shop. During the hockey season, the parent will be scheduled to work a specific amount of hours to reduce this assessment. If scheduled time is not worked, the parent will be responsible for paying this additional fee.

Hours of operation for the pro shop should be at least one-half hour prior to and during all team practices, team games and tournaments. The manager may find it desirable to also operate the shop prior to a weekly practice of the adult teams and at times when they are hosting teams from another city. There should be adequate exposure for all ages of players to allow for maximum sales of equipment.

### Legal Aspects of Business

The GFYHA was formed as a nonprofit corporation.<sup>8</sup> The Association will follow all necessary legal procedures in the beginning of operations of a hockey pro shop. A local business license will be applied for along with any other permits necessary to begin operations.

Since the shop will employ an individual as manager, a Federal Employer Identification Number will be needed. This can be obtained by filing I.R.S. form #SS-4. A State Employer Identification Number will be needed when paying state unemployment insurance.

When paying the salary of the manager, the Association will also need to pay Federal Unemployment Tax, Federal Withholding Tax, and Social Security Tax. The Association may find it desirable to secure the services of a lawyer and tax accountant to assure their compliance with all required business procedures.

### Inventory and Supply Requirements

A hockey pro shop is providing a service to the hockey players. It is the purpose of a pro shop to supply all of the necessary equipment and miscellaneous supplies required by the hockey player. A customer comes to the

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<sup>8</sup>Philip Kotler and Alan R. Andreasen, Strategic Marketing for Nonprofit Organizations, 3d ed., (Englewood cliffs, NJ: Prentice-Hall, Inc., 1987), 13-17, 358.

pro shop because he is looking for a particular item.

Hockey equipment may be obtained from sporting goods distributors in the northwest part of the United States. Three manufacturer's representatives supply Montana. They are listed below along with the brands of hockey gear and equipment that they supply.

Gilbertson/Acker Sports Sales  
19124 Maple Leaf Drive  
Eden Prairie, Minnesota 55346  
Representative: Roger Gilbertson  
Brands: Koho, Canadien, Jofa/Titan, Daoust skates

Jack Van Duzor and Associates, Inc.  
1482 NE 95th Street  
Redmond, Washington 98052  
Representative: Jack Van Duzor  
Brands: Cooper

Loving and Associates, Inc.  
7401 Washington Avenue South  
Edina, Minnesota 55435  
Brands: Canadian, Koho, Jofa/Titan

Purchasing of inventory is "buying materials and services of the RIGHT quality, at the RIGHT price, from the RIGHT source, in the RIGHT quantity, at the RIGHT time."<sup>9</sup> For a new business, this is extremely important. It is the goal of the Association to have the equipment that the customer wants and needs. Hockey equipment and related hockey items are the only product of the pro shop so the Association must be careful to have all of the RIGHT's. If not, the customer will go where he is able

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<sup>9</sup>American Institute of Small Business, How to Set Up Your Own Small Business, Vol. 2, Chapter 10: Purchasing, (Minneapolis, MN, 1984), 1.

to find what he needs when he needs it.

A business has a much better chance for success by offering limited selections and catering to a more select group of customers, in this case the hockey player. Money will be saved by carrying a smaller, select inventory. The shop will be able to offer better services to the people who do buy from them. As the market for hockey equipment grows, the Association may be wise to consider expanding and adding more inventory.

Basic equipment requirements were shown in Table 3. The Association will take these figures and determine the sizes and amounts of each item to order. A possible breakdown is presented in Table 4. These figures represent the minimum order which must be placed to obtain the necessary beginning inventory for the shop.

Also necessary are the smaller hockey items which will be purchased by the players. A list of the items is presented in Table 5.

Inventory is available for purchase from the distributors in mid May. Cooper is the brand of equipment chosen most by hockey players. It is quality equipment which is reasonably priced. The Association may want to purchase the majority of the equipment from the Cooper distributor for the first season. Koho, Canadien, and Titan equipment items are good sellers also. A limited supply of these brands could be inventoried.

TABLE 4

## MINIMUM EQUIPMENT REQUIREMENTS

Item	Size	Quant- ity	List Price	Total Price
Skates: (7 pair each size 4-11)		56	\$40.00	\$2,240.00
Helmet	SK600S	44	26.50	1,166.00
	S600	9	26.50	238.50
Face Protector	Plastic 20-20	4	25.00	100.00
	20-20JR	12	23.00	276.00
	Metal HM50S	31	11.25	348.75
	Metal HM50M	8	11.25	90.00
Shoulder Pads	SBP62	20	17.00	340.00
	SBP63	22	19.00	418.00
	SBP65	10	25.00	250.00
	SBD11-S	4	41.50	165.60
Shin Pads	DG5	30	7.75	232.50
	DG10	12	15.00	180.00
	DG18	4	21.00	84.00
Pants	HP3	24	15.50	372.00
	HP7	18	19.50	351.00
	HP10	22	24.00	528.00
Goalie Pants	GHPl	2	55.00	110.00
Socks	Youth	60	6.35	381.00
	Adult	30	7.50	225.00
Elbow Pads	EK28	20	9.75	195.00
	EK300	14	9.00	126.00
	EK46	8	21.00	168.00
Left Hand Sticks	TNT Graphite	50	12.50	625.00
	TNT 325	50	7.35	367.50
Right Hand Sticks	TNT Graphite	56	12.50	700.00
	TNT 325	56	7.35	411.60
Goalie Sticks	SL100	4	13.50	54.00
	SL55	4	14.90	59.60
Gloves	Model 1	30	12.50	375.00
	Model 26	12	16.00	192.00
	Model 27	12	20.75	249.00
Jersey	Small	35	11.15	390.25
	Medium	15	11.15	167.25
	Large	15	11.15	167.25
Equipment Bags	JR	20	28.00	560.00
	Regular	18	31.00	558.00
Neck Guards	JR	5	6.00	30.00
TOTAL COST				\$13,491.80

TABLE 5  
MISCELLANEOUS SUPPLIES

	Quantity	List Price/unit	Total
Sport Tape:			
White	1 Case (81 rolls)	\$ 72.90	\$ 72.90
Black	1 Case (81 rolls)	91.53	91.53
Red	1 Case (81 rolls)	103.68	103.68
Blue	1 Case (81 rolls)	103.68	103.68
Stick Butt End	100	.55	55.00
Street Hockey Balls	50	.70	35.00
Protectors/Ath Sup	Boys (50)	3.65	182.50
	Mens (25)	3.95	98.75
Suspenders	Short (30)	3.30	99.00
	Long (30)	3.85	115.50
Teeth Guards	96	.60	57.60
Shin Guard Straps	75	2.75	206.25
Garter Belts	SR 25	5.65	141.25
	JR 50	4.70	235.00
Skate Laces:			
White	25	.90	22.50
Black	25	.90	22.50
Tweed	25	.90	22.50
THE EDGE (Touchup for Blades)	30	4.80	144.00
Score Books	35	2.90	101.50
Hockey Pucks	1 Case (100 pucks)	.40	40.00
Helmet Covers	30	5.05	151.50
TOTAL COSTS			\$2,102.14

### Pricing and Strategies

Three possible objectives of pricing of merchandise are discussed: (1) to cover expenses -- of the shop and merchandise costs; (2) to be competitive with other retailers -- both locally and Canadian; and (3) to produce a surplus.

The price of a piece of equipment should be set by market conditions. Doing this will help build customer confidence by allowing them to see that the prices are as low as or lower than those of the competition.<sup>10</sup>

Percentage of markup for hockey equipment is fairly standard at 100 percent of cost. Distributors generally offer their equipment at a list price which is 50 percent of the retail price shown in the equipment catalogs.

Other factors to consider when pricing merchandise are the actual cost of the product (product plus delivery charges), salaries, other expenses including rent, utilities, supplies, advertising, etc., percentage of profit desired, and how much the competition is charging. In this case, markup should be 100 percent, or the standard markup for hockey equipment. Prices could then safely be lowered later if the Association decided to sell some of the merchandise at a sale price, or if an increase in sales were needed.

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<sup>10</sup>Ibid., 18-19.

### Financial Considerations

A new business needs enough money to buy the inventory, supplies, or whatever else it needs to provide the merchandise or services it sells and enough to pay for day-to-day operations.<sup>11</sup>

An important source of capital available to the Hockey Association is trade credit offered by the distributors of hockey equipment. Trade credit replaces inventory financing. Gilbertson/Acker Sports Sales offers a trade credit for Koho and Canadien equipment. Orders booked prior to June 15 qualify for quantity discounts and terms. Their terms of payment are:

\$	0	--	\$1,499	Net 10 E.O.M.
	1,500	--	2,999	(Terms only)
	3,000	--	4,999	3%
	5,000	--	7,499	5%
	7,500	--	9,999	6%

Terms: Sticks - November 1, Equipment - December 1. Quantity and payment discounts apply only if payment terms are met. Prices are F.O.B. Burlington, Vermont. Minimum order, \$100.

Credit must first be approved by the credit offices of Koho and Canadien. In order to obtain approval, the Association must complete a formal credit application.

This payment schedule could greatly benefit the Association. Sales of hockey equipment and supplies begin in September prior to the actual start of practices and

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<sup>11</sup>American Institute of Small Business, How to Set Up Your Own Small Business, Vol. 1, Chapter 5: Financing, (Minneapolis, MN, 1984) 4.



games. With the first payment on sticks not due until November 1, the pro shop should have a surplus it will be able to use at that time. Equipment payments are due December 1. At that time, sales should have generated enough cash to pay for the equipment.

Information about credit terms was not received from Loving and Associates. However, information was received from one of the distributors they represent, Paw Distributors of Hackensack, NJ. They carry several items including stock hockey socks for NHL teams, custom hockey socks, practice jerseys, game jerseys, NHL pattern jerseys, custom jerseys, Koho sticks, Canadien sticks, Titan sticks, tape, garter belts, suspenders, shin pad straps, cuts and supporters, mouth guards, and pucks.

Their credit terms are as follows:

- 5% 30 days or 5% COD; gross due 31 days
- 2% per month on all past due accounts

No price list was obtained from Paw Distributors. The catalog shows only retail price. If an order were placed with Paw, the amount of items needed would have to be determined; then a call would be placed to the distributor to receive a quote on a price.

Van Duzor and Associates distribute Cooper equipment. The catalog for Cooper equipment gives the retail price for each item. The price list which accompanies the catalog indicates that the net price is 50 percent of retail. A requirement for ordering from this distributor is that

the Association must have one individual who will be responsible for paying of bills, ordering, or being in contact with them. In this case, the contact should be the manager of the pro shop. Van Duzor and Associates do have credit terms which are extended to individuals or businesses with a qualified credit account. A credit application was received which will need to be completed by the Association.

An additional source of capital for the Association to consider is a line of credit. This is a bank's contractual or noncontractual commitment which makes available a negotiable amount of financing contingent on the credit worthiness of the business. It is for varying periods of time, usually one year, and is renewable. Interest rate is generally two points above that of the prime or Treasury bill rate, again depending on the stability of the business.<sup>12</sup> A bank will customarily require that at least 10 percent of the line of credit value be retained in a bank account as a compensating balance. The Association has a money market note which will be used as compensating balance when applying for a line of credit.

In order to apply for a line of credit or a commercial loan, the Association should prepare a loan proposal for the lenders. A loan proposal has several parts. First,

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<sup>12</sup>Lindsey, Jennifer, The Entrepreneur's Guide to Capital, (Chicago, Illinois: Probus Publishing, 1986, 79.

there should be a brief summary of the business -- what it is, products it will sell, and the general competition. Second should be a brief history of the Association to date. Following that will be an explanation of the proposal, what amount of money is required, terms preferred, repayment preference, collateral available, and any other information relevant to the request. Appropriate financial statements should be included for previous years of operation. Finally, the Association should include credit, personal, and business references.<sup>13</sup>

With a line of credit and trade credit from the distributors, the Association should have no trouble in obtaining the equipment and supplies necessary to begin operations of a hockey pro shop for the 1989-90 hockey season.

### Financial Analysis

The following is a financial analysis of each of the three business scenarios proposed. Each assumes beginning inventory is the minimum which was presented in Tables 4 and 5. A further assumption is that all inventory purchased is sold during the season. Not taken into consideration are the additional purchases of equipment throughout

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<sup>13</sup>American Institute of Small Business, How to Set Up Your Own Small Business, Vol. 2, Chapter 4: Financing, (Minneapolis, MN, 1984), 13-14.

the season or special ordering which may occur.

The analyses also assume equipment items will be paid for on the approved credit terms given by the distributors -- i.e., payment for sticks not made until November 1 and payment for equipment and the remainder of items made December 1. As the majority of hockey equipment sales are expected to be made in the first month of operation, the payment schedule could reasonably be met. Should this not happen, a line of credit may be necessary in order to keep current on debts owed.

The first scenario assumes use of the pro shop area of the Four Seasons Arena at no cost to the Association. It also assumes a market share simulation of Case A with 100 percent sales of equipment and miscellaneous supplies and Case B with 50 percent sales of equipment and miscellaneous supplies. Both cases result in a surplus from sales. However, if the market share is less than 46.2 percent there is no surplus. Total equipment and miscellaneous supplies listed in Tables 4 and 5 comprise the total net sales as presented in the income statement. This figure is consistent for all scenarios presented.

The projected income statement for the fiscal year ending May 31 is shown on the next page. It shows the surplus which the Association could use for purchasing ice time or for tournament fees for the divisions of hockey players.

TABLE 6

Projected Income Statement: Scenario I  
(First 12 Months)

	CASE A	CASE B
Income:		
Total Net Sales	\$31,187.88	\$15,593.94
Cost of Sales	<u>15,593.94</u>	<u>7,796.97</u>
Gross Surplus on Sales	\$15,593.94	\$ 7,796.97
Expenses:		
Salary	\$ 3,900.00	\$ 3,900.00
Telephone	300.00	300.00
Supplies	1,000.00	1,000.00
Admin/legal fees	<u>2,000.00</u>	<u>2,000.00</u>
Total Expenses	<u>7,200.00</u>	<u>7,200.00</u>
Net Income	\$ 8,393.94	\$ 596.97

Scenario II is very similar to the previous scenario. The assumption is that the Fair board would lease the pro shop area to the Association. This is a possibility but data was not available from the Fair board regarding rental fees and utility costs. If the Association were allowed to lease the shop area, the rental and utility fees would be available with which to base the projected income statement for the first twelve months of operation. Scenario II could then be analyzed using Case A (100 percent sales) and Case B (50 percent sales). At that time, the Association would be able to determine whether this scenario would be produce a surplus from operations.

The third scenario involved the leasing of shop space at West City Center. In doing so, the Association would greatly increase its expenses. Besides operating expenses and lease payments, the Association would need

to complete the shop with floor and wall coverings and display areas for the merchandise. A financial analysis reveals a loss.

TABLE 7

Projected Income Statement: Scenario III  
(First 12 Months)

Income:		
Total Net Sales	\$31,187.88	
Cost of Sales	<u>15,593.94</u>	
Gross Surplus on Sales		\$15,593.94
Expenses:		
Salary	\$ 3,900.00	
Lease payments	12,900.00	
Security deposit	1,075.00	
Utilities	3,000.00	
Telephone	300.00	
Supplies	1,000.00	
Admin/legal fees	<u>2,000.00</u>	
Total Expenses		<u>24,175.00</u>
Net Loss		(\$ 8,581.06)

Sales would not cover expenses of operation in the West City Center. Lease payments far exceed the profit which would have been generated by equipment sales. With a loss from operations, this is not a feasible solution.

## CHAPTER V

### SUMMARY AND RECOMMENDATIONS

The establishment of a hockey pro shop by the Great Falls Youth Hockey Association would bring an added source of income to the Association as well as a convenient source of hockey equipment and supplies for the hockey families of Great Falls. Research has indicated that a viable market does exist for hockey equipment. This market is, however, dependent on several factors.

First, and most important, is the continuation of the hockey program in Great Falls. If the operating structure of the Four Seasons Arena remains as it currently is with the hockey rink intact and operational, then the hockey program may continue uninterrupted. If the rink is eliminated, the hockey program will cease until an alternate location or facility is created. A pro shop would not be necessary if the program did not exist for a period of time.

A second factor is the competition. Scheels Sports is increasing its stock of hockey equipment for the 1989-90 season. During the past several seasons, Scheels and Coast to Coast offered the majority of equipment in the Great Falls area. They have already established customer

relations with many of the current hockey families in the Association. The Association will need to present itself as a competitor and show members of the Association that they have a product which is comparable to the others in Great Falls.

A third, and very important, factor to consider is the store location. The market for hockey equipment in Great Falls is very limited. Approximately 200 players are expected to be registered this fall. This is an extremely small portion of the school age children in the Great Falls area -- only 1.6 percent of the 12,123 students enrolled in the public school system. There is potential for growth, but hockey is a sport where growth is slow because of the great expense of equipment, registration fees and travel involved and limitations previously identified.

Because of this limited market and specialization of the shop, it is advisable to keep costs at a minimum. In order to do this, the Association would require the use of the pro shop area of the Four Seasons Arena. Operation of the shop could be on a seasonal basis corresponding with the hockey season and hockey camp dates. Overhead would be minimal during off season times.

Leasing shop space at the Four Seasons is another option the Association may have. A lease may be negotiated to correspond with the hockey season, thereby keeping



expenses at a minimum. During summer months there is not a reason to operate the shop.

The disadvantages of operating a shop in West City Center are quite evident. A three-year lease does not allow for the uncertainties which currently overshadow the youth hockey program in Great Falls. If the program is interrupted, there is no reason to continue operation of a pro shop. Secondly, lease payments are payable twelve months out of the year. The hockey season in Great Falls runs only from October through March with a possible one week summer camp in August. This means the shop will be nonoperational six months of the year. This creates an effective monthly rent of \$2,000 for each of the six months of operation. This amount is quite excessive for such a small business as the pro shop will be. Great Falls does not have the hockey population necessary to support a full service pro shop. The Association is growing, but is still too small to support more than an in-house shop.

The most likely scenario for success appears to be Scenario I. This is based on the data which was available for financial analysis. Using the results from Tables 4 and 5, the Association would be stocking the minimum requirements of its hockey players. If the Association is able to maintain a market share better than 46.2 percent, a surplus will be realized. At a market share above 50

percent there would be sufficient surplus generated to be distributed to the hockey divisions for their use. It should be understood that competition from Scheels and the Skate Stop, two established businesses which have served the hockey population for several years, may prevent the Association from realizing a large market share.

If the members of the Great Falls Youth Hockey Association work together to plan, operate, and support a pro shop, it is possible that the Association can successfully operate this much needed business.

The Association has members who might be willing to help with the initial set-up of operations. It has lawyers, accountants, and other professional people who might be willing to donate their services or offer them at reduced fees. It will be to the benefit of the Association to ask for help from its members in the establishment of this business.

Several individuals offered their help in the beginning of operations of the hockey pro shop. Financial aid was offered by one individual who states, "I think the Association would benefit financially and in other ways from its own pro shop. I might be willing to help finance such an adventure."

Another individual states, "Courage and backing are needed. For assistance at no charge, call me."

One individual who operates his own small business

and offered advice previously, also added, "Good luck! Please call if you wish to exchange ideas."

If the Association asks its members for help in beginning this venture and in its operation, they may find they have several individuals who are willing to donate their services for the betterment of the GFYHA and their hockey program in Great Falls.

APPENDIX A  
Hockey Survey Cover Letter

1 March 1989

We need **your** help. With the 1988-89 hockey season almost at an end, we need to focus our attention on the 1989-90 season.

It has been proposed that the Great Falls Youth Hockey Association (GFYHA) take over the scheduling for the Four Seasons Arena beginning 1 September 1989. Should this happen, space may be made available in the Arena to accommodate a hockey shop.

Would you **please** help us by completing the attached questionnaire and returning it by 15 March 1989? The results will better help the Association determine whether a hockey shop is wanted by its members, and what equipment and specialized needs families in the GFYHA will have in the coming seasons.

Your answers will be kept strictly confidential. Please fill out the questionnaire and return it in the self-addressed envelope. The results of the survey will be summarized and distributed to all members of the Association.

I would be happy to answer any questions which you might have. Please feel free to call me at 727-7332. Any additional remarks you may have would be greatly appreciated and welcomed. Please help us make this program one that will benefit all of the Association members and families.

Thank you for your assistance.

Sincerely,

Sue Schafer

# APPENDIX B

## HOCKEY SURVEY -- 1989

(Circle One)

1. Do you think a hockey shop is needed in Great Falls (such as Players Bench or Bert & Mac's in Lethbridge)? YES NO
2. How many hockey players are in your family? 1 2 3 More than 3
3. Do you have any younger children who may play hockey in the future? YES NO
4. If you answered "yes" to question 3, please indicate how many. 1 2 3 More than 3
5. What equipment will you need to purchase in the coming season? (Please check all that apply. If you have more than one skater in family, you may put two or more checks for each item, depending on how many items you plan to purchase.)

<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Skates	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Elbow pads
<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Helmet	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Left hand stick
<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Face mask	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Right hand stick
<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Shoulder pads	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Goalie stick
<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Shin pads	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Gloves
<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Hockey pants	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Jersey
<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Goalie pants	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Equipment bags
<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Socks	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Other (Please specify): _____

6. Where did you purchase equipment (i.e., skates, helmets, etc.) this past season? (You may mark more than one.)

Great Falls area:

<input type="checkbox"/> Scheels	<input type="checkbox"/> Skate Stop
<input type="checkbox"/> Target	<input type="checkbox"/> Coast to Coast
<input type="checkbox"/> Shopko	<input type="checkbox"/> Universal Athletics
<input type="checkbox"/> GFYHA Hockey Swap	<input type="checkbox"/> Other (Please specify): _____

Canadian outlets:

<input type="checkbox"/> Players Bench	<input type="checkbox"/> Bert & Mac's
<input type="checkbox"/> Canadian Tire	<input type="checkbox"/> Zellers
<input type="checkbox"/> Sears	<input type="checkbox"/> Other (Please specify): _____

Mail order:

<input type="checkbox"/> Kemps	<input type="checkbox"/> Great Skate
<input type="checkbox"/> Other (Please specify): _____	

7. Where do you prefer to purchase hockey equipment?

- ☐ Locally  
☐ Canadian outlets  
☐ Mail order

8. When were the majority of your purchases made?

- ☐ During playing season (October - March)  
☐ Prior to season (April - September)

9. What other services would you like to see available?

- ☐ Skate sharpening (on a regular schedule of time)  
☐ Repair services  
☐ Special ordering of equipment  
☐ Other (Please specify): \_\_\_\_\_

10. Next year in what group will your child skate? (If you have more than one child in the program, please indicate the groups. If you have more than one child in one group, please check the appropriate number of boxes.)

- |   |   |
|---|---|
| <input type="checkbox"/> <input type="checkbox"/> Junior Novice | <input type="checkbox"/> <input type="checkbox"/> Pee Wee |
| <input type="checkbox"/> <input type="checkbox"/> Novice        | <input type="checkbox"/> <input type="checkbox"/> Bantam  |
| <input type="checkbox"/> <input type="checkbox"/> Atom          | <input type="checkbox"/> <input type="checkbox"/> Midget  |

11. If you are in an adult group, please indicate:

- ☐ Flames ☐ Selects  
☐ Silver Foxes

12. ADDITIONAL REMARKS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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